

# Should I Refinance? Understand When to Refinance Your Home Mortgage for Maximum Benefit.

Home mortgage rates have remained at a good level and if you've lowered your debt and increased your credit score, you may be able to qualify for a lower rate if you choose to refinance your home. Refinancing a mortgage means you borrow money to pay off your existing mortgage to start a new mortgage with new terms. In many cases a home refinance is a smart move that can help save you a lot of money, however there are situations where it simply doesn't make sense. Have you been asking yourself, should I refinance? We will outline when it makes the most sense to refinance and when you may just want to stay put.

## Should I Refinance? – Absolutely, do it today!

**Lower Your Interest Rate** - If you are happy in your home and plan to stay there for several more years, it can save you a lot of money to get a new loan with a lower interest rate. Look at the chart below from The Federal Reserve Board to see the potential savings by only lowering your interest rate .5%

For example, compare the monthly payments (for principal and interest) on a 30-year fixed-rate loan of \$200,000 at 5.5% and 6.0%.

Monthly payment @ 6.0%	\$1,199
Monthly payment @ 5.5%	\$1,136
The difference each month is	\$ 63
But over a year's time, the difference adds up to	\$ 756
Over 10 years, you will have saved	\$7,560

**Shorten the Term of your Loan** - Another great reason to refinance is if you are able to decrease the life of your loan. Shorter term mortgages typically have lower interest rates and you will pay less in interest because the life of the loan is shorter. It is important to know that you can pay your loan down faster by simply paying a little extra each month however a shorter loan combined with a lower rate is a money saving combination.

**Access Home Equity** - If you have a big home improvement project that you want to take on you will find that refinancing your home will probably have a much lower interest rate then borrowing the same money with a project loan. This can get tricky so make sure you do the math on all your

options before borrowing against your home to complete a project. If it drastically improves the value and resale value of your home, it's probably a smart choice.

**Get Out of an Old Loan** - If your original mortgage had an adjustable rate or another parameter that you no longer want, now is the perfect time to refinance. Adjustable rate mortgages are smart in some cases but if you plan to stay in your home for a long time it's better to start paying down the interest and building equity.

## Should I Refinance? No! -

**Your Current Loan Has a Prepayment Penalty** - If you will be penalized for paying off your mortgage early, it's probably not smart to try and refinance. In fact, if you are in the process of getting your first mortgage it's an important first time home buyer tip to remember not to get a home loan that has a prepayment penalty at all.

**You Plan to Move** - It usually takes a couple years to break even after refinancing. If you refinance and then turn around and sell your home, you will probably lose money. Only consider a refinance if you are going to stay in your home for the foreseeable future.

**Your Existing Loan Is Almost Paid Off** - When you are paying down a home loan you pay the bulk of the interest at the beginning of the loan. By the time you get to the end you are rapidly paying off the principal with very little going towards interest. If you have had a home mortgage for 15-20 years, it may be a better idea to keep paying on it and avoid refinancing at this time. You can still pay extra on your mortgage to pay it off more quickly but refinancing at this time would mean starting over when it comes to interest vs. principal.

Deciding when to refinance is not always cut and dry. There are costs involved with the refinancing process not to mention that you will need to gather all the required documentation in preparation for getting the loan. The Title Mortgage Solution team is here to walk you through your options and help you determine if refinancing is the best idea for you. If you want to set up an appointment or go ahead and get the ball rolling on your home mortgage refinance, contact us today at **800-737-1366**.